

# **City of Coldwater, Michigan**

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## **Financial Report with Supplemental Information**

**June 30, 2003**

# City of Coldwater

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## Independent Auditor's Report

To the City Council  
City of Coldwater, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Coldwater, as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Coldwater's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Coldwater as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison schedules and Pension System Schedule of Funding Progress (identified in the table of contents) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.



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To the City Council  
City of Coldwater, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coldwater's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2003 on our consideration of the City of Coldwater's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2002.

*Plante & Moran, PLLC*

November 19, 2003

Our discussion and analysis of the City of Coldwater's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the City's financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2003:

- The City's governmental activities' total net assets increased by \$1.1 million as funds not used for operations were spent on capital assets. The City continues to invest surplus funds in infrastructure, positioning the City to be able to ride out future revenue losses from the State of Michigan.
- Net assets for business-type activities increased by \$3 million. The largest reason for this increase was an approximate \$2 million accounting adjustment by the Michigan South Central Power Agency. Overall, the utility funds continue to show steady growth.
- State-shared revenue, our third largest revenue source, was reduced by the State of Michigan by approximately \$143,575 this year. The City reacted by reducing originally planned infrastructure improvements.
- The City spent approximately \$925,000 on capital assets to update and improve recreational facilities.
- As shown in the government funds' financial statements, Fund Balance dropped from approximately \$2.5 million to \$1.6 million. This decrease was planned and approved by the City Council in order to invest in the infrastructure of the City without incurring additional bonded indebtedness. Within the government-wide financial statements, additions are reported as expenses, unlike the statement of net assets, where additions are capitalized.
- Total increase in property taxes and reduction in building permits mirror the current economy of the State.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

# City of Coldwater

## Management's Discussion and Analysis (Continued)

### The City as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year under the modified accrual basis:

	Governmental Funds		Enterprise Funds		Total	
	2003	2002	2003	2002	2003	2002
Assets	\$ 9,845,735	\$ 11,575,128	\$ 63,037,042	\$ 61,632,917	\$ 72,882,777	\$ 73,208,045
Liabilities	4,865,337	6,052,055	27,809,164	29,442,959	32,674,501	35,495,014
Fund Equity						
Investment in capital, net of related debt	-	-	20,047,810	21,634,217	20,047,810	21,634,217
Retained Earnings						
Restricted	-	-	3,580,581	3,726,557	3,580,581	3,726,557
Unreserved	-	-	11,599,487	6,829,184	11,599,487	6,829,184
Fund Balances						
Reserved	1,118,613	1,294,472	-	-	1,118,613	1,294,472
Unreserved - Designated	-	940,528	-	-	-	940,528
Unreserved - Undesignated	3,861,785	3,288,073	-	-	3,861,785	3,288,073
Total fund equity	<b>\$ 4,980,398</b>	<b>\$ 5,523,073</b>	<b>\$ 35,227,878</b>	<b>\$ 32,189,958</b>	<b>\$ 40,208,276</b>	<b>\$ 37,713,031</b>

The City's combined fund equity increased approximately six percent from a year ago - increasing from \$37,713,031 to \$40,114,386. In contrast, last year's net fund equity decreased by 7% percent. As we look at the governmental activities separately from the business-type activities, we can see that fund equity decreased approximately \$540,000 due to the City's investment in infrastructure in the current year. The significant change in the fund equity of the Enterprise Funds is a result of an accounting adjustment of approximately \$2 million by the South Central Power Agency, of which the City is a 40% owner.

The following table shows, in a condensed format, the net assets as of the current date as required by GASB 34 stated under the full accrual basis. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

	Governmental Activities	Business-type Activities
Current and other assets	\$ 9,763,507	\$ 17,306,213
Capital assets	18,429,184	44,472,003
Total assets	28,192,691	61,778,216
Long-term debt outstanding	4,812,615	22,376,683
Other liabilities	1,233,143	4,173,655
Total liabilities	6,045,758	26,550,338
Net assets		
Invested in capital assets net of related debt	13,518,007	21,165,395
Restricted	1,118,613	3,580,581
Unrestricted	7,510,313	10,481,902
Total net assets	<b>\$ 22,146,933</b>	<b>\$ 35,227,878</b>

# City of Coldwater

## Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the current year and as compared to the prior year, under the modified accrual basis:

	Governmental Funds		Enterprise Funds		Total	
	2003	2002	2003	2002	2003	2002
<b>Revenue</b>						
Property taxes and special assessments	\$ 3,698,000	\$ 3,500,202	\$ -	\$ -	\$ 3,698,000	\$ 3,500,202
Licenses and permits	97,527	145,111	-	-	97,527	145,111
Federal grants	286,434	465,474	-	-	286,434	465,474
State-shared revenues	2,056,811	2,139,436	-	-	2,056,811	2,139,436
State grants	78,296	2,612	-	-	78,296	2,612
Charges for services	612,532	978,930	28,419,226	25,374,115	29,031,758	26,353,045
Fines and forfeitures	52,345	50,812	-	-	52,345	50,812
Interest income	402,367	530,662	2,133,635	245,887	2,536,002	776,549
Other	58,883	395,080	-	-	58,883	395,080
Rents and royalties	2,001,039	2,020,657	-	-	2,001,039	2,020,657
Sale of fixed assets and land	347,267	7,299	110,411	281,138	457,678	288,437
Contribution from private sources	12,537	1,857,806	-	-	12,537	1,857,806
Total revenue	9,704,038	12,094,081	30,663,272	25,901,140	40,367,310	37,995,221
<b>Program Expenses</b>						
General government	1,068,649	951,576	-	-	1,068,649	951,576
Public safety	2,838,608	2,545,646	-	-	2,838,608	2,545,646
Public works	2,444,632	2,870,127	-	-	2,444,632	2,870,127
Sanitation	-	501,619	-	-	-	501,619
Recreation and culture	1,675,132	810,313	-	-	1,675,132	810,313
Planning	252,615	500,432	-	-	252,615	500,432
Economic development	77,008	74,270	-	-	77,008	74,270
Retirement contributions	196,150	94,794	-	-	196,150	94,794
Other	468,379	341,270	-	-	468,379	341,270
Capital outlay	366,126	5,735,646	-	-	366,126	5,735,646
Debt service	859,414	897,765	-	-	859,414	897,765
Purchased power	-	-	15,584,609	15,255,585	15,584,609	15,255,585
Power plant	-	-	493,208	1,388,518	493,208	1,388,518
Distribution	-	-	2,701,446	1,367,552	2,701,446	1,367,552
Substation	-	-	67,261	-	67,261	-
Sanitation	-	-	341,796	-	341,796	-
Metering/lighting	-	-	321,994	-	321,994	-
Wells	-	-	83,346	-	83,346	-
Treatment	-	-	891,549	-	891,549	-
Collection systems	-	-	154,756	-	154,756	-
Customer service	-	-	68,354	-	68,354	-
Billing, accounting, collections and administration and general	-	-	2,014,417	3,042,682	2,014,417	3,042,682
Payments in lieu of taxes	-	-	1,449,446	1,366,974	1,449,446	1,366,974
Depreciation and amortization	-	-	2,139,336	1,825,108	2,139,336	1,825,108
Loss on sale of fixed assets	-	-	54,373	-	54,373	-
Interest expense	-	-	1,259,461	1,323,032	1,259,461	1,323,032
Total expenses	10,246,713	15,323,458	27,625,352	25,569,451	37,872,065	40,892,909
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>\$ (542,675)</b>	<b>\$ (3,229,377)</b>	<b>\$ 3,037,920</b>	<b>\$ 331,689</b>	<b>\$ 2,495,245</b>	<b>\$ (2,897,688)</b>



# City of Coldwater

## Management's Discussion and Analysis (Continued)

The presentation of the Enterprise Fund expenses for the year ended June 30, 2003 separately state various operating expenses which are combined with the power plant expenses in 2002.

Governmental funds decreased in both contributions from private sources and capital outlay in 2002 compared to 2003, due to the donations received and capital outlay spent on the Henry L. Brown Municipal Building.

Interest income recorded in the Enterprise Funds increased approximately \$2.1 million due to a one-time, accounting adjustment from the Michigan South Central Power Agency, of which the City is a 40% owner.

The following table shows, in a condensed format, the changes of net assets as of the current date as required by GASB 34 stated under the full accrual basis. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

	Governmental Activities	Business-type Activities
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 1,410,053	\$ 28,419,226
Operating grants and contributions	1,157,602	-
Capital grants and contributions	293,521	-
General revenues		
Property taxes	3,238,251	-
State-shared revenues	1,091,601	-
Unrestricted investment earnings	364,124	2,133,635
Miscellaneous	59,793	56,038
Payments in lieu	1,461,319	-
Total revenues	9,076,264	30,608,899
<b>Expenses</b>		
General government	1,423,629	-
Public safety	2,833,019	-
Public works	2,167,742	-
Community/economic development	429,042	-
Recreation and culture	859,562	-
Interest on long-term debt	251,928	-
Electric	-	20,768,021
Telecommunications	-	2,772,903
Water	-	1,783,101
Rubbish	-	346,852
Waste water	-	1,900,102
Total expenses	7,964,922	27,570,979
Increase (decrease) in net assets	<u><u>\$ 1,111,342</u></u>	<u><u>\$ 3,037,920</u></u>

### **Governmental Activities**

The City's General Fund revenues decreased by approximately \$775,000 from June 30, 2002. This decrease is primarily the result of reporting sanitation revenues as a business-type activity in accordance with GASB 34, as well as internal accounting changes for equipment rental. These accounting changes accounted for approximately \$500,000 of the decrease. Decrease in state-shared revenue and federal grants were the other significant decreases. State-shared revenue decreased due to cuts in funding from the State of Michigan, while federal grants decreased from the prior year due to the Eastpointe housing project being completed. Property tax revenue did increase but the growth as experienced in prior years has decreased significantly which is also reflected in decreased licenses and permits.

General Fund expenses increased by approximately \$850,000 from June 30, 2002. Taking into effect the internal accounting changes mentioned above for sanitation and change in recording of equipment rental, actual expenditures would have increased approximately \$1.4 million. Of the actual increase in expenditures, \$1.2 million was the result of capital expenditures. The significant capital expenditures included \$600,000 for softball fields, lighting and concession stand, \$175,000 for recreational office addition, and \$250,000 in operating equipment.

### **Business-type Activities**

The City's business-type activities consist of the Electric, Water, Wastewater, Telecommunications and Sanitation services. The utilities increased total net assets by approximately \$2.9 million. The bulk of this increase was due to the electric fund. During the year, electric rate increases were approved to increase reserves and to provide for future capital expenditures. The rate increase, coupled with businesses coming off the economic development rate, resulted in the expected net increase. Additionally, the Michigan South Central Power Agency provided a one-time increase of approximately \$2 million due to an accounting adjustment that increased the City's 40% equity interest.

Water and Wastewater Funds continue to see marginal growth. The loss of a larger water customer impacted the overall revenue growth of the utilities. Both the Water and Wastewater Funds received a rate increase subsequent to the end of the fiscal year. These rate increases will provide for future capital needs of the system and improve the financial reserves.

The Telecommunications Fund continues to grow at a significant rate. By providing cable television, internet and telephone services, the Telecommunications Fund has been able to increase revenue by providing quality customer service. Telecommunications is expanding its service area subsequent to the end of the fiscal year.

### **Component Units**

The City includes two other entities in its report – the Coldwater Downtown Development Authority and Coldwater Local Finance Development Authority. Although legally separate, these "component units" are important because the City is financially accountable for them.

# City of Coldwater

## Management's Discussion and Analysis (Continued)

### The City's Funds

Our analysis of the City's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. Major funds for the fiscal year ended June 30, 2003 include the General Fund, Revolving Development Fund, Capital Improvement Fund and the Coldwater Municipal Building Authority Fund.

The General Fund pays for most of the City's governmental services. The primary services provided include police and fire services, street repair and maintenance, parks and recreation and administrative services related to general operations that support the primary services.

The Revolving Development Fund was established with federal community block grants and serves to foster economic development in the City. Majority of the assets are loans to new and existing businesses. Since revenue is not realized until payment is received, an offsetting deferred revenue liability is recorded.

The Capital Improvement Fund accounts for various capital projects as they are constructed. The Fund also provides for payment of the liabilities through special assessments or bonded special assessments.

During the fiscal year, the Henry L. Brown Municipal Building was completed. The Coldwater Municipal Building Authority Fund was established to account for the construction of the municipal building. In the future, this fund will account for the debt service on the payment of the building authority bonds.

### General Fund Budgetary Highlights

As shown in the required supplemental information, the City budgeted a deficit of \$871,955. Actual operating results ended up as a deficit of \$864,478, a difference of \$7,477. The significant budget-to-actual differences are as follows:

- Property tax revenue was lower due to board of review changes coming after the budget was established. Additionally, uncollected personal property taxes increased over prior years as a result of several businesses closing, and bankruptcies.
- Building permits continued to decrease from prior year as growth slowed.
- Federal revenues did not match budgeted projections due to the timing of payments received and project completion dates.
- State of Michigan decreased the statutory revenue sharing.
- Charges for services are lower due to sanitation fees being recorded as a business-type activity in accordance with GASB 34 and change in accounting for equipment rentals within the General Fund.
- Public Safety expenditures exceeded the budget due to the City Council approving a new roof for the public safety building.

### **Capital Asset and Debt Administration**

As previously discussed, the City Council puts an emphasis on investing in the infrastructure of the City of Coldwater. During the year, the City built two new softball diamonds with lighting and refurbished two others, constructed new concession stand/bathroom/scorer's building, building addition for recreation offices and constructed a concrete slab for the future skate park to be equipped in the next fiscal year. Additionally, the City purchased additional park land for future use and put a new roof on the public safety building.

All of these capital additions were financed with built up reserves. No additional bonded indebtedness was incurred.

There were no significant capital items incurred for business-type activities other than the purchase of a new sanitation truck.

During the year, the Telecommunications Fund did refund its original \$4.5 million bond issue to reduce the interest rate. The refunding reduced the interest rate by 1% and changed the structure of the debt from a balloon payment to a regular serial bond.

### **Economic Factors and Next Year's Budgets and Rates**

The City's budget for next fiscal year reflects another decrease in State Shared Revenue. Current economic conditions in the State of Michigan have put statutory revenue sharing at risk of being reduced. The Council has adopted a conservative budget wishing to retain current fund balance. A number of planned road projects have been pushed back until future dates.

The City has received two significant grants for the next fiscal year. The first is a grant from the Michigan Economic Development Corporation to assist with the construction of a new downtown parking lot. This project is expected to enhance development opportunities for a downtown City area that is in need of redevelopment. The second grant is for 10 downtown upper-level apartments. It is anticipated that by establishing these downtown apartments, downtown economic development may increase.

The City of Coldwater has also recently been awarded "Core Community" status by the State of Michigan. This designation opens the door for further economic development through tax exemptions for identified areas.

### **Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office.

# City of Coldwater

## Statement of Net Assets (Deficit) June 30, 2003

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 2)	\$ 3,867,124	\$ 2,549,093	\$ 6,416,217	\$ 671,339
Receivables - Special assessments	1,993,085	-	1,993,085	-
Customers	396,931	3,040,041	3,436,972	2,481
Loans and other	1,454,980	-	1,454,980	80,562
Due from others	149,394	-	149,394	5,124
Prepaid costs and other assets	-	103,261	103,261	-
Inventories	-	94,801	94,801	-
Unamortized bond costs	-	1,037,812	1,037,812	-
Investment in South Central Power Agency (Note 11)	-	7,679,284	7,679,284	-
Internal balances	778,660	(778,660)	-	-
Restricted assets (Note 7)	1,123,333	3,580,581	4,703,914	-
Capital assets - Net (Note 4)	18,429,184	44,472,003	62,901,187	907,188
<b>Total assets</b>	<b>28,192,691</b>	<b>61,778,216</b>	<b>89,970,907</b>	<b>1,666,694</b>
<b>Liabilities</b>				
Accounts payable	451,662	1,566,578	2,018,240	528,646
Accrued and other liabilities	173,719	1,377,077	1,550,796	-
Due to others	19,980	-	19,980	-
Notes payable: (Note 6)	-	-	-	36,647
Due within one year	587,782	1,230,000	1,817,782	143,966
Due in more than one year	4,323,395	22,076,608	26,400,003	1,180,348
Employee absences	489,220	300,075	789,295	-
<b>Total liabilities</b>	<b>6,045,758</b>	<b>26,550,338</b>	<b>32,596,096</b>	<b>1,889,607</b>
<b>Net Assets (Deficit)</b>				
Invested in capital assets - Net of related debt	13,518,007	21,165,395	34,683,402	14,632
Restricted:				
Debt service	-	3,178,867	3,178,867	-
Other purposes	1,118,613	401,714	1,520,327	-
Unrestricted - Undesignated	7,510,313	10,481,902	17,992,215	(237,545)
<b>Total net assets (deficit)</b>	<b>\$ 22,146,933</b>	<b>\$ 35,227,878</b>	<b>\$ 57,374,811</b>	<b>\$ (222,913)</b>

# City of Coldwater

## Statement of Activities Year Ended June 30, 2003

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 1,423,629	\$ 888,955	\$ 11,159	\$ -	\$ (523,515)	\$ -	\$ (523,515)	\$ -
Public safety	2,833,019	43,067	130,917	-	(2,659,035)	-	(2,659,035)	-
Public works	2,167,742	339,361	1,014,476	120,694	(693,211)	-	(693,211)	-
Community and economic development	429,042	-	-	172,827	(256,215)	-	(256,215)	-
Recreation and culture	859,562	138,670	1,050	-	(719,842)	-	(719,842)	-
Interest on long-term debt	251,928	-	-	-	(251,928)	-	(251,928)	-
Total governmental activities	7,964,922	1,410,053	1,157,602	293,521	(5,103,746)	-	(5,103,746)	-
Business-type activities:								
Electric	20,768,021	21,899,801	-	-	-	1,131,780	1,131,780	-
Telecommunications	2,772,903	2,725,851	-	-	-	(47,052)	(47,052)	-
Water	1,783,101	1,647,235	-	-	-	(135,866)	(135,866)	-
Rubbish	346,852	440,742	-	-	-	93,890	93,890	-
Waste water	1,900,102	1,705,597	-	-	-	(194,505)	(194,505)	-
Total primary government	<u>\$ 35,535,901</u>	<u>\$ 29,829,279</u>	<u>\$ 1,157,602</u>	<u>\$ 293,521</u>	(5,103,746)	848,247	(4,255,499)	<u>\$ -</u>
Component units:								
Downtown Development Authority	\$ 201,829	\$ 8,890	\$ 155,367	\$ -				\$ (37,572)
Local Development Authority	60,629	-	-	-				(60,629)
Total component units	<u>\$ 262,458</u>	<u>\$ 8,890</u>	<u>\$ 155,367</u>	<u>\$ -</u>				<u>(98,201)</u>
General revenues:								
Property taxes					3,238,251	-	3,238,251	380,336
State-shared revenues					1,091,601	-	1,091,601	-
Unrestricted investment earnings					364,124	2,133,635	2,497,759	12,136
Miscellaneous					59,793	56,038	115,831	-
Payments in lieu of taxes					1,461,319	-	1,461,319	-
Total general revenues and transfers					<u>6,215,088</u>	<u>2,189,673</u>	<u>8,404,761</u>	<u>392,472</u>
<b>Change in Net Assets</b>					1,111,342	3,037,920	4,149,262	294,271
<b>Net Assets</b> - Beginning of year, as amended (Note 4)					<u>21,035,591</u>	<u>32,189,958</u>	<u>53,225,549</u>	<u>(517,184)</u>
<b>Net Assets</b> - End of year					<u>\$ 22,146,933</u>	<u>\$ 35,227,878</u>	<u>\$ 57,374,811</u>	<u>\$ (222,913)</u>

# City of Coldwater

## Governmental Funds Balance Sheet June 30, 2003

	General	Revolving Development Fund	Capital Improvement Fund	Coldwater Municipal Building Authority Fund	Other Non-major Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and investments	\$ 1,874,331	\$ 666,755	\$ 835,140	\$ -	\$ 490,898	\$ 3,867,124
Receivables:						
Customers	166,253	-	-	224,438	6,239	396,930
Special assessments	-	-	1,930,077	-	63,007	1,993,084
Loans	427,556	1,778,238	-	-	-	2,205,794
Due from other funds	-	-	-	110,072	-	110,072
Due from other governmental units	6,371	-	-	-	143,027	149,398
Restricted assets	-	-	-	-	1,123,333	1,123,333
Total assets	<u>\$ 2,474,511</u>	<u>\$ 2,444,993</u>	<u>\$ 2,765,217</u>	<u>\$ 334,510</u>	<u>\$ 1,826,504</u>	9,845,735
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 162,722	\$ -	\$ 150	\$ 278,428	\$ 10,362	451,662
Accrued and other liabilities	97,075	-	-	-	-	97,075
Due to others	19,980	-	-	-	-	19,980
Due to other funds	148,922	-	-	-	-	148,922
Deferred revenue	427,556	1,727,058	1,930,077	-	63,007	4,147,698
Total liabilities	856,255	1,727,058	1,930,227	278,428	73,369	4,865,337
<b>Fund Balances</b>						
Reserved (Note 7)	-	-	-	-	1,118,613	1,118,613
Unreserved, reported in:						
General Fund	1,618,256	-	-	-	-	1,618,256
Special Revenue Funds	-	717,935	-	-	349,547	1,067,482
Capital Projects Funds	-	-	834,990	56,082	284,975	1,176,047
Total fund balances	<u>1,618,256</u>	<u>717,935</u>	<u>834,990</u>	<u>56,082</u>	<u>1,753,135</u>	4,980,398
Total liabilities and fund balances	<u>\$ 2,474,511</u>	<u>\$ 2,444,993</u>	<u>\$ 2,765,217</u>	<u>\$ 334,510</u>	<u>\$ 1,826,504</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	18,429,184
Special assessment receivables and loans and related interest receivable are expected to be collected over several years, and are not available to pay for current year expenditures	4,214,392
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(5,400,397)
Accrued interest payable	(76,644)
Net assets of governmental activities	<u>\$ 22,146,933</u>

# City of Coldwater

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2003

	General	Revolving Development Fund	Capital Improvement Fund	Coldwater Municipal Building Authority Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>						
Property taxes and special assessments	\$ 3,125,842	\$ -	\$ 533,569	\$ -	\$ 38,589	\$ 3,698,000
Licenses and permits	97,527	-	-	-	-	97,527
Federal grants	286,434	-	-	-	-	286,434
State-shared revenues	1,091,601	-	-	-	965,210	2,056,811
State grants	29,905	-	-	-	48,391	78,296
Charges for services	605,698	-	-	-	6,834	612,532
Fines and forfeitures	52,345	-	-	-	-	52,345
Interest income	84,211	129,736	148,939	913	38,568	402,367
Rents and royalties	1,666,277	-	-	334,762	-	2,001,039
Contribution from private sources	9,724	-	-	-	2,813	12,537
Other	58,883	-	-	-	-	58,883
<b>Total revenue</b>	<b>7,108,447</b>	<b>129,736</b>	<b>682,508</b>	<b>335,675</b>	<b>1,100,405</b>	<b>9,356,771</b>
<b>Expenditures</b>						
General government	1,068,649	-	-	-	-	1,068,649
Public safety	2,838,608	-	-	-	-	2,838,608
Public works	1,509,069	-	-	-	935,563	2,444,632
Recreation and culture	1,675,132	-	-	-	-	1,675,132
Planning	252,615	-	-	-	-	252,615
Economic development	-	77,008	-	-	-	77,008
Retirement contributions	-	-	-	-	196,150	196,150
Other	444,498	-	-	-	23,881	468,379
Capital outlay	-	-	143,071	223,055	-	366,126
Debt service	187,117	-	447,605	224,692	-	859,414
<b>Total expenditures</b>	<b>7,975,688</b>	<b>77,008</b>	<b>590,676</b>	<b>447,747</b>	<b>1,155,594</b>	<b>10,246,713</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>(867,241)</b>	<b>52,728</b>	<b>91,832</b>	<b>(112,072)</b>	<b>(55,189)</b>	<b>(889,942)</b>
<b>Other Financing Sources (Uses)</b>						
Sale of fixed assets and land	1,466	-	-	345,801	-	347,267
Transfers in	177,647	-	-	-	276,350	453,997
Transfers out	(176,350)	-	-	(177,647)	(100,000)	(453,997)
<b>Total other financing sources</b>	<b>2,763</b>	<b>-</b>	<b>-</b>	<b>168,154</b>	<b>176,350</b>	<b>347,267</b>
<b>Change in Fund Balances</b>	<b>(864,478)</b>	<b>52,728</b>	<b>91,832</b>	<b>56,082</b>	<b>121,161</b>	<b>(542,675)</b>
<b>Fund Balances - Beginning of year</b>	<b>2,482,734</b>	<b>665,207</b>	<b>743,158</b>	<b>-</b>	<b>1,631,974</b>	<b>5,523,073</b>
<b>Fund Balances - End of year</b>	<b>\$ 1,618,256</b>	<b>\$ 717,935</b>	<b>\$ 834,990</b>	<b>\$ 56,082</b>	<b>\$ 1,753,135</b>	<b>\$ 4,980,398</b>



# City of Coldwater

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## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2003

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (542,675)</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	2,631,213
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Depreciation	(880,751)
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Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(589,531)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	597,174
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Change in accrued interest payable not reported in the governmental funds	10,312
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Accrued interest receivable not reported in the governmental funds	(17,952)
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Increase in accumulated employee sick and vacation pay, is recorded when earned in the statement of activities	(96,448)
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<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 1,111,342</u></b>
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# City of Coldwater

## Proprietary Funds Statement of Net Assets June 30, 2003

	Electric Fund	Telecommunications Fund	Water Fund	Waste Water Fund	Non-major - Rubbish Fund	Total
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 1,466,322	\$ -	\$ 13,318	\$ 1,069,453	\$ -	\$ 2,549,093
Receivables - Net	2,500,107	160,051	183,112	196,771	-	3,040,041
Inventories	32,030	-	62,771	-	-	94,801
Due from other funds	386,276	-	-	-	93,890	480,166
Prepaid costs and other assets	10,725	84,354	4,008	4,174	-	103,261
Total current assets	4,395,460	244,405	263,209	1,270,398	93,890	6,267,362
Noncurrent assets:						
Unamortized bond costs	296,705	-	539,539	201,568	-	1,037,812
Investment in South Central Power Agency	7,679,284	-	-	-	-	7,679,284
Restricted assets	1,388,035	696,605	420,615	1,075,326	-	3,580,581
Capital assets	16,410,374	6,392,663	9,363,976	12,304,990	-	44,472,003
Total noncurrent assets	25,774,398	7,089,268	10,324,130	13,581,884	-	56,769,680
Total assets	30,169,858	7,333,673	10,587,339	14,852,282	93,890	63,037,042
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	1,423,247	80,141	35,004	28,186	-	1,566,578
Accrued and other liabilities	967,397	115,225	131,334	163,121	-	1,377,077
Due to other funds	13,760	400,036	13,760	13,760	-	441,316
Current portion of long-term debt	390,000	180,000	250,000	410,000	-	1,230,000
Total current liabilities	2,794,404	775,402	430,098	615,067	-	4,614,971
Noncurrent liabilities:						
Long-term debt - Net of current portion	8,128,526	4,964,712	4,823,918	5,277,037	-	23,194,193
Total liabilities	10,922,930	5,740,114	5,254,016	5,892,104	-	27,809,164
<b>Net Assets (Deficit)</b>						
Investment in capital assets - Net of related debt	7,891,848	1,247,951	4,290,058	6,617,953	-	20,047,810
Restricted	1,388,035	696,605	420,615	1,075,326	-	3,580,581
Unrestricted	9,967,045	(350,997)	622,650	1,266,899	93,890	11,599,487
Total net assets	<u>\$ 19,246,928</u>	<u>\$ 1,593,559</u>	<u>\$ 5,333,323</u>	<u>\$ 8,960,178</u>	<u>\$ 93,890</u>	<u>\$ 35,227,878</u>

# City of Coldwater

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2003

	Electric Fund	Telecommunications Fund	Water Fund	Waste Water Fund	Non-major - Rubbish Fund	Total
<b>Operating Revenue</b>						
Charges for services	\$ 21,899,801	\$ 2,725,851	\$ 1,647,235	\$ 1,705,597	\$ 440,742	\$ 28,419,226
<b>Operating Expenses</b>						
Purchased power	15,584,609	-	-	-	-	15,584,609
Power plant	488,152	-	-	-	5,056	493,208
Distribution	800,019	1,678,533	222,894	-	-	2,701,446
Substation	67,261	-	-	-	-	67,261
Sanitation	-	-	-	-	341,796	341,796
Metering/lighting	321,994	-	-	-	-	321,994
Wells	-	-	83,346	-	-	83,346
Treatment	-	-	377,749	513,800	-	891,549
Collection systems	-	-	-	154,756	-	154,756
Customer service	68,354	-	-	-	-	68,354
Billing, accounting, collections and administration and general	894,911	373,707	394,696	351,103	-	2,014,417
Payments in lieu of taxes	1,187,690	58,574	94,595	108,587	-	1,449,446
Depreciation and amortization	884,724	376,539	365,170	512,903	-	2,139,336
Total operating expenses	20,297,714	2,487,353	1,538,450	1,641,149	346,852	26,311,518
<b>Operating Income</b>	1,602,087	238,498	108,785	64,448	93,890	2,107,708
<b>Nonoperating Revenue (Expenses)</b>						
Investment income	2,100,827	-	4,574	28,234	-	2,133,635
Interest expense	(470,309)	(285,552)	(244,650)	(258,950)	-	(1,259,461)
Miscellaneous	36,621	22,293	35,133	16,364	-	110,411
Loss on disposal of assets	(42,464)	-	(11,909)	-	-	(54,373)
Total nonoperating revenue (expenses)	1,624,675	(263,259)	(216,852)	(214,352)	-	930,212
<b>Change in Net Assets - Net income (loss)</b>	3,226,762	(24,761)	(108,067)	(149,904)	93,890	3,037,920
<b>Net Assets - Beginning of year, as amended (Note 4)</b>	16,020,166	1,618,320	5,441,390	9,110,082	-	32,189,958
<b>Net Assets - End of year</b>	<b>\$ 19,246,928</b>	<b>\$ 1,593,559</b>	<b>\$ 5,333,323</b>	<b>\$ 8,960,178</b>	<b>\$ 93,890</b>	<b>\$ 35,227,878</b>

# City of Coldwater

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2003

	Electric Fund	Telecommunications Fund	Water Fund	Waste Water Fund	Non-major - Rubbish Fund	Total
<b>Cash Flows from Operating Activities</b>						
Cash received from customers	\$ 22,060,845	\$ 2,822,186	\$ 1,709,482	\$ 1,726,267	\$ 440,742	\$ 28,759,522
Payments made to suppliers	(18,817,127)	(1,519,610)	(853,335)	(476,620)	(362,674)	(22,029,366)
Payments made to employees	(1,014,332)	(555,910)	(377,585)	(355,186)	(78,068)	(2,381,081)
Net cash provided by operating activities	2,229,386	746,666	478,562	894,461	-	4,349,075
<b>Cash Flows from Capital and Related Financing Activities</b>						
Principal and interest paid on capital debt	(826,064)	(4,785,552)	(455,627)	(624,800)	-	(6,692,043)
Proceeds for issuance of bonds	-	4,340,000	-	-	-	4,340,000
Purchase of capital assets	(228,278)	(229,139)	(32,851)	(6,420)	-	(496,688)
Net cash provided by (used in) capital and related financing activities	(1,054,342)	(674,691)	(488,478)	(631,220)	-	(2,848,731)
<b>Cash Flows from Investing Activities</b>						
Interest received on investments	2,100,827	-	4,574	28,234	-	2,133,635
Change in investments	(2,775,822)	-	18,660	229,974	-	(2,527,188)
Net cash provided by (used in) investing activities	(674,995)	-	23,234	258,208	-	(393,553)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	500,049	71,975	13,318	521,449	-	1,106,791
<b>Cash and Cash Equivalents - Beginning of year</b>	765,376	624,630	-	145,231	-	1,535,237
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 1,265,425</u>	<u>\$ 696,605</u>	<u>\$ 13,318</u>	<u>\$ 666,680</u>	<u>\$ -</u>	<u>\$ 2,642,028</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>						
Cash and investments	\$ 1,466,322	\$ -	\$ 13,318	\$ 1,069,453	\$ -	\$ 2,549,093
Restricted investments (Note 7)	1,388,035	696,605	420,615	1,075,326	-	3,580,581
Less amounts classified as investments (Note 2)	(1,588,932)	-	(420,615)	(1,478,099)	-	(3,487,646)
Total cash and cash equivalents	<u>\$ 1,265,425</u>	<u>\$ 696,605</u>	<u>\$ 13,318</u>	<u>\$ 666,680</u>	<u>\$ -</u>	<u>\$ 2,642,028</u>

# City of Coldwater

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## Fiduciary Funds Balance Sheet June 30, 2003

### Agency Funds

#### **Assets**

Cash and cash equivalents	\$ 89,055
Taxes receivable	<u>291</u>
Total assets	<b><u>\$ 89,346</u></b>

#### **Liabilities**

Due to other governmental units	6,371
Due to others	<u>82,975</u>
Total liabilities	<b><u>\$ 89,346</u></b>

# City of Coldwater

## Component Units Statement of Net Assets June 30, 2003

	Downtown Development Authority	Local Development Finance Authority	Totals
<b>Assets</b>			
Cash and investments	\$ 25,087	\$ 646,252	\$ 671,339
Receivables - Loans and other	83,043	-	83,043
Due from other governmental units	5,124	-	5,124
Capital assets	<u>464,285</u>	<u>442,903</u>	<u>907,188</u>
Total assets	577,539	1,089,155	1,666,694
<b>Liabilities</b>			
Accounts payable	23,531	505,115	528,646
Noncurrent liabilities:			
Due to others	36,647	-	36,647
Notes payable, due within one year	85,000	58,966	143,966
Notes payable, due in more than one year	<u>380,000</u>	<u>800,348</u>	<u>1,180,348</u>
Total liabilities	<u>525,178</u>	<u>1,364,429</u>	<u>1,889,607</u>
<b>Net Assets (Deficit)</b>			
Investment in capital assets - Net of related debt	(715)	15,347	14,632
Unrestricted	<u>53,076</u>	<u>(290,621)</u>	<u>(237,545)</u>
Total net assets (deficit)	<u>\$ 52,361</u>	<u>\$ (275,274)</u>	<u>\$ (222,913)</u>

# City of Coldwater

## Component Units Statement of Activities Year Ended June 30, 2003

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for	Operating Grants/	Downtown	Local		
Expenses	Services	Contributions	Development	Development	Total	
			Authority	Authority		
Downtown Development Authority	\$ 201,829	\$ 8,890	\$ 155,367	\$ (37,572)	\$ -	\$ (37,572)
Local Development Finance Authority	60,629	-	-	-	(60,629)	(60,629)
Total governmental activities	<u>\$ 262,458</u>	<u>\$ 8,890</u>	<u>\$ 155,367</u>	(37,572)	(60,629)	(98,201)
General revenues - Interest			3,827	8,309		12,136
Property taxes			<u>236,960</u>	<u>143,376</u>		<u>380,336</u>
Total general revenues			<u>240,787</u>	<u>151,685</u>		<u>392,472</u>
Change in Net Assets			203,215	91,056		294,271
Net Assets (Deficit) - Beginning of year			<u>(150,854)</u>	<u>(366,330)</u>		<u>(517,184)</u>
Net Assets (Deficit) - End of year			<u>\$ 52,361</u>	<u>\$ (275,274)</u>	<u>\$</u>	<u>(222,913)</u>

### Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Coldwater (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Coldwater:

#### **Reporting Entity**

The City is governed by an elected nine-member Council. As required by generally accepted accounting principles, these financial statements present the City of Coldwater and its component units. The individual component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The Board of Public Utilities was created to provide electric services, water supply services, telecommunications, sanitary sewers and sewage disposal facilities, and to conduct the affairs of the City's systems for the construction, generation, maintenance, purchase, extension, and distribution of these services to the residents of the City. The Board's governing body, which consists of five individuals, is selected by the Mayor with City Council approval. In addition, the Board's budget, rates and charges are subject to approval by the City Council. The Board of Public Utilities is included as a part of the primary government because it is not legally separate from the City.

The following component units are reported within the component units column in the combined financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

- a. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation and to promote economic growth within the downtown district. The Authority's governing body, which consists of nine individuals, is selected by the Mayor and City Council. In addition, the Authority's budget is subject to approval by the City Council.
- b. The Local Development Finance Authority (LDFA) was created to provide means and methods for the encouragement and assistance of industry in relocation, purchasing, constructing, improving or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Authority's governing body, which consists of nine individuals, is selected by the Mayor with City Council approval. In addition, the Authority's budget is subject to approval by the City Council.



### **Note 1 - Summary of Significant Accounting Policies (Continued)**

- c. The Coldwater Municipal Building Authority was created for the purpose of financing the site acquisition, construction, furnishing, and equipping municipal buildings. The Authority leases the building to the City in amounts sufficient to service debt issued to finance costs incurred related to the activities stated above. The Authority's governing body, consisting of three individuals, is appointed by the Mayor with City Council approval. The Authority is treated as a blended component unit in accordance with GASB 14 and is presented as a Major Capital Projects Fund.

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

### Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

The City reports the following major governmental funds:

**General Fund** – The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Revolving Development Fund** – The purpose of this fund is to loan money to various projects that will improve housing industry or infrastructure of the City. Revenue is derived from interest received on outstanding loans.

**Capital Improvement Fund** – This fund was established to account for capital improvements in the City of Coldwater. The fund includes payment of debt service on special assessment bonds used to finance the various capital projects.

**Coldwater Municipal Building Authority Fund** – This fund was created for the purpose of financing the site acquisition, construction, furnishing and equipping of municipal buildings. The Authority leases the building to the City in amounts sufficient to pay principal and interest. The Authority is treated as a blended component unit in accordance with GASB 14 and is presented as a Capital Projects Fund for financial reporting purposes.

### Note 1 - Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary funds:

**Electric Fund** – Is a Municipal utility formed by City Charter to generate and distribute electricity. Rates are established by the Board of Public Utilities. The Board consists of five non-partisan members appointed by the Mayor with City Council approval.

**Water Fund** – Is a Municipal utility formed by City Charter to pump and distribute the City water supply. Rates are established by the Board of Public Utilities. The Board consists of five members selected by the Mayor with City Council approval.

**Waste Water Fund** – Is a Municipal utility formed by City Charter to operate and maintain the wastewater collections and treatment. Rates are established by the Board of Public Utilities. The Board consists of five members selected by the Mayor with City Council approval.

**Telecommunications Fund** – Is a Municipal utility formed by City Ordinance to provide cable television, internet, and other data services. Rates are established by the Board of Public Utilities. The Board consists of five members selected by the Mayor with City Council approval.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

#### Note 1 - Summary of Significant Accounting Policies (Continued)

**Receivables and Payables** – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advance to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are assessed December 31 and the related property taxes become a lien on August 1 of the following year. These taxes are due on August 1 with the final collection date of September 15. The taxes are then added to the county tax rolls in March of the following year. The City bills and collects its own property taxes and those of the Coldwater Community Schools, Branch Intermediate School District and Branch County.

**Inventories** – Inventories are valued at cost, on a first-in, first-out basis.

**Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land improvements	40 years
Roads and sidewalks	15 to 20 years
Utility systems	40 to 75 years
Buildings and building improvements	40 to 50 years
Machinery and equipment	5 to 20 years
Vehicles	3 to 5 years
Office furnishings	5 to 7 years
Other tools and equipment	3 to 7 years

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Accounting Change** – Effective July 1, 2002, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), along with all related statements and interpretations. Changes to the City's financial statements as a result of GASB 34 are as follows:

- A Management's Discussion and Analysis (MD&A) section providing analysis of the City's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the City's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets includes infrastructure assets (roads, bridges, etc.) not previously accounted for by the City as well as assets totaling \$14,124,432 previously reported in the General Fixed Asset Account Group. In addition, the governmental activities column includes bonds and other long-term obligations totaling \$5,901,123 previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The City has elected to implement both the general provisions of the GASB 34 and the retroactive reporting of infrastructure in the current year.

### Note 2 - Deposits and Investments

The City's deposits and investments are included on the balance sheet under the following classifications:

Cash and investments	\$ 6,505,272
Restricted assets	<u>4,703,914</u>
Total	<u>\$ 11,209,186</u>

The City's deposits and investments are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories:

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 5,710,780
Investments in securities, mutual funds, and similar vehicles	5,497,196
Petty cash or cash on hand	<u>1,210</u>
Total	<u>\$ 11,209,186</u>

**Deposits** – The deposits of the City were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$5,182,480. Of that amount, approximately \$489,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The federal depository insurance coverage pertains to all deposits of the City; hence, the specific coverage pertaining to component units deposits, if any, is not determinable.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution it deposits City funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Component Units** – The deposits of the City's component units consist of bank deposits totaling \$671,339. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$641,666 of which approximately \$127,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

### Note 2 - Deposits and Investments (Continued)

**Investments** – The City is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investment vehicles. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool, except that Agency Funds' investment earnings are allocated to the General Fund.

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at June 30, 2003. Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the City or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the City's name. Category 3 includes investments held by:

- a. The Counterparty or
- b. The Counterparty's trust department (or agent) but not in the City's name

	Category			Reported Amount (Fair Value)
	1	2	3	
U.S. Government Securities	\$ -	\$ 170,106	\$ -	\$ 170,106
U.S. Government Obligations	-	193,296	-	193,296
Total	<u>\$ -</u>	<u>\$ 363,402</u>	<u>\$ -</u>	363,402
Bank investment pools				<u>5,133,794</u>
Total				<u>\$ 5,497,196</u>

The bank investment pools are held by the Trust Department of the bank, and are regulated by the Michigan Banking Act. They are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that these investments comply with the investment authority noted above.

### Note 2 - Deposits and Investments (Continued)

Included in the City's investments at June 30, 2003 are the following:

Approximately \$193,000 of securities are issued by the Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and the Federal Home Loan Bank (FHLB). These investments are backed by the full faith and credit of the U.S. government. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting and prepaid amounts in investments with comparable yields.

### Note 3 - Stewardship, Compliance, and Accountability

The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2003 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the City Council) for the General Fund and Major Special Revenue Fund is presented as Required Supplemental Information.

During the year, the City of Coldwater incurred expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual
General Fund		
General government	\$ 1,067,186	\$ 1,068,649
Public safety	2,758,950	2,838,608
Recreation and cultural	1,542,891	1,675,132
Special Revenue - Revolving Development Fund	63,000	77,008

The Local Development Finance Authority reported a net asset deficit in the Government-wide financial statements stated under the requirement of GASB 34. The LDFA, as accounted for under the modified accrual basis, has a positive fund balance for the year ended June 30, 2003.



### Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

#### Governmental Activities

	As Amended Balance July 1, 2002	Reclassifications	Additions	Disposals	Balance June 30, 2003
Capital assets not being depreciated:					
Land	\$ 312,960	\$ -	\$ 88,112	\$ -	\$ 401,072
Construction in progress	7,725,906	(7,725,906)	-	-	-
Subtotal	8,038,866	(7,725,906)	88,112	-	401,072
Capital assets being depreciated:					
Roads and sidewalks	8,434,001	-	795,504	-	9,229,505
Land improvements	663,883	-	-	-	663,883
Buildings and improvements	1,864,989	7,725,906	1,473,511	(371,460)	10,692,946
Vehicles	1,228,067	-	180,761	-	1,408,828
Other tools and equipment	699,284	-	93,330	-	792,614
Subtotal	12,890,224	7,725,906	2,543,106	(371,460)	22,787,776
Accumulated depreciation:					
Roads and sidewalks	1,932,929	-	420,616	-	2,353,545
Land improvements	189,224	-	7,008	-	196,232
Buildings and improvements	712,959	-	270,536	-	983,495
Vehicles	532,188	-	108,710	-	640,898
Other tools and equipment	511,613	-	73,881	-	585,494
Subtotal	3,878,913	-	880,751	-	4,759,664
Net capital assets being depreciated	9,011,311	7,725,906	1,662,355	(371,460)	18,028,112
Net capital assets	\$ 17,050,177	\$ -	\$ 1,750,467	\$ (371,460)	\$ 18,429,184

#### Business-type Activities

Capital assets not being depreciated:					
Land	\$ 101,124	\$ -	\$ -	\$ -	\$ 101,124
Construction in process	47,879	(47,879)	-	-	-
Subtotal	149,003	(47,879)	-	-	101,124
Capital assets being depreciated:					
Utility systems	37,042,732	47,879	329,490	-	37,420,101
Buildings	18,446,618	-	-	(145,700)	18,300,918
Machinery and equipment	7,505,199	-	167,198	(38,064)	7,634,333
Subtotal	62,994,549	47,879	496,688	(183,764)	63,355,352
Accumulated depreciation:					
Electric	8,020,110	-	884,724	(39,044)	8,865,790
Telecommunications	1,379,045	-	376,539	(24,024)	1,731,560
Water	2,980,924	-	365,170	(34,181)	3,311,913
WasteWater	4,594,449	-	512,903	(32,142)	5,075,210
Subtotal	16,974,528	-	2,139,336	(129,391)	18,984,473
Net capital assets being depreciated	46,020,021	47,879	(1,642,648)	(54,373)	44,370,879
Net capital assets	\$ 46,169,024	\$ -	\$ (1,642,648)	\$ (54,373)	\$ 44,472,003

### Note 4 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 666,264
Public safety	92,779
Public works	73,425
Recreation and culture	<u>48,283</u>
Total governmental activities	<u>\$ 880,751</u>

Business-type activities:

Water	\$ 365,170
Sewer	512,903
Telecommunications	376,539
Electric	<u>884,724</u>
Total business-type activities	<u>\$ 2,139,336</u>

The component units' capital assets at June 30, 2003 consist of the following:

Land	\$ 715,521
Building	<u>225,000</u>
Subtotal	940,521
Less accumulated depreciation	<u>(33,333)</u>
Net carrying amount	<u>\$ 907,188</u>

All assets are held at the Downtown Development Authority, except for land of approximately \$442,903 held in the Local Downtown Development Authority.

In conjunction with the implementation of Governmental Accounting Standards Board Statement No. 34, there are corrections to the beginning balances of the capital assets recorded in both the Government Activities and Business-type Activities.

The net assets for Government Activities have been decreased by \$1,629,343 for land and other assets no longer owned by the City.

The net assets for Business-type Activities include an increase in the Water fund of \$2,718,908 for assets contributed in prior years under the jurisdiction of the City and a decrease in net assets related to accumulated depreciation of \$245,307 on those assets.

The net assets for Business-type Activities include an increase in the Sewer fund of \$2,796,622 for assets contributed in prior years under the jurisdiction of the City and a decrease in net assets related to accumulated depreciation of \$352,281 on those assets.

### Note 5 - Interfund Receivables

The following are the interfund receivables at June 30, 2003:

Fund due to:	Fund due from:	Amount
Capital projects fund	General fund	\$ 55,032
	Electric fund	13,760
	Water fund	13,760
	Waste water fund	13,760
	Telecommunications fund	13,760
Total capital projects fund		110,072
Electric fund	Telecommunications fund	386,276
Rubbish fund	General fund	93,890
Total due from other funds		<u>\$ 590,238</u>

The balances owing to the Capital projects fund result from the balances owing on city hall construction. The remaining balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund providing resources:	Fund receiving resources:	Amount
General Fund	Local roads fund	\$ 176,350
Major street fund	Local roads fund	100,000
Building authority	General fund	177,647
Total interfund transfers		<u>\$ 453,997</u>

The transfers from the General Fund to the major and local street funds represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations; the transfer from the major streets fund to the local streets fund represents the sharing of gas and weight tax revenues, in accordance with Act 51; the transfer from the Building authority to the General fund represents the return of unrestricted resources.

### Note 6 - Long-term Debt

#### Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2003:

#### Governmental Activities:

1998 special assessment bonds payable at interest rates of 4.50% to 5.00%, principal payments of \$65,000 to \$70,000 due annually on March 1, concluding in 2007	\$ 330,000
1998 general obligation limited tax bonds payable at interest rates of 4.60% to 5.00%, principal payments of \$5,000 to \$20,000 due annually on March 1, concluding in 2007	70,000
1999 special assessment bonds payable at interest rates of 3.95% to 4.50%, principal payments of \$15,000 to \$40,000 due annually on March 1, concluding in 2009	195,000
1999 special assessment bonds payable at interest rates of 4.80% to 5.15%, principal payments of \$35,000 to \$40,000 due annually on March 1, concluding in 2009	210,000
1999 special assessment bonds payable at interest rates of 4.35% to 5.50%, principal payments of \$100,000 to \$105,000 due annually on March 1, concluding in 2009	605,000
2000 special assessment bonds payable at interest rates of 3.95% to 4.84%, principal payments of \$35,000 to \$75,000 due semi-annually on February 1 and September 1, concluding in 2011	590,000
1999 general obligation limited tax bonds payable at interest rates of 4.35% to 5.00%, principal payments of \$25,000 to \$35,000 due annually on March 1, concluding in 2009	190,000
1999 Building Authority Bonds, maturing on October 1, 2019, plus interest ranging from 4.20% to 5.375% semi-annually, principal payments of \$70,000 to \$155,000	1,800,000
2000 Building Authority Bonds, maturing on October 1, 2010, plus interest ranging from 4.95% to 5.250% semi-annually, principal payments of \$40,000 to \$60,000	420,000

### Note 6 - Long-term Debt (Continued)

1999 general obligation limited tax bonds payable at interest rates of 4.00% to 4.50%, principal payments of \$5,000 to \$10,000 due annually on March 1, concluding in 2009	55,000
Act 99 contract payable, semi-annual payments of \$16,217 including interest at 6.15%. Payments due on March 1 and September 1, concluding in 2005	59,067
Act 99 contract payable, semi-annual payments of \$48,680 including interest at 5.1%. Payments due on March 1 and September 1, concluding in 2007	<u>387,110</u>
Total bonds and note payable	4,911,177
Compensated absences	<u>489,220</u>
Total governmental activity debt	5,400,397

### Business-type Activities

Series 2000 Electric Revenue Bonds, maturing \$50,000 to \$140,000 annually, plus interest ranging from 5.7% to 6.0% semi-annually through August 1, 2019	1,555,000
Series 1996 Electric Revenue Bonds, maturing \$315,000 to \$685,000 annually, plus interest ranging from 4.80% to 5.75% semi-annually through August 1, 2016	6,795,000
Series 1994 Water Supply and Waste Water System Revenue Bonds, maturing \$225,000 to \$240,000 annually plus interest ranging from 5.4% to 5.5% semi-annually through July 1, 2004	475,000
Series 1998 Water Supply and Waste Water System Revenue Refunding Bonds, maturing \$15,000 to \$480,000 annually, plus interest ranging from 4.10% to 5.00% semi-annually through July 1, 2016	4,545,000
Series 1993 Water Supply and Waste Water System Revenue Refunding Bonds, maturing \$290,000 to \$355,000 annually, plus interest ranging from 4.50% to 5.00% semi-annually through July 1, 2007	1,325,000
Series 1999 Waste Water System Revenue Bonds, maturing \$100,000 to \$330,000 annually, plus interest ranging from 4.4% to 4.6% semi-annually through July 1, 2024	4,315,000

### Note 6 – Long-term Debt (Continued)

Series 2002 Telecommunications System Revenue Refunding Bonds, maturing \$180,000 to \$390,000 annually, plus interest of 5.5% semiannually through August 1, 2017	4,340,000
Note payable to financing company due in monthly installments of \$3,120 including interest through November 2004	41,051
Loans payable to Revolving Loan Fund	817,510
Less: unamortized excess costs to reacquire 1986 and 1998 bonds	<u>(84,443)</u>
Total bonds and notes payable	24,124,118
Compensated absences	<u>300,075</u>
Total business-type activity debt	<u>24,424,193</u>
Total	<u>\$ 29,824,590</u>

The special assessment bonds represent the financing of public improvements that benefit specific districts. These districts are specially assessed, at least in part, for the cost of the improvements. Under Michigan law, the City is secondarily liable for payment of these bonds.

### Component Units Debt

Debt outstanding for component units consisted of Downtown Development Authority Bonds totaling \$350,000, bearing interest at rates from 4.75% to 7.2%, maturing through 2008. The Downtown Development Authority also has a note payable to a bank of \$115,000, bearing an interest rate of 5%. The Local Development Finance Authority has notes payable to the City totaling \$859,314, bearing an interest rate of 7.5%. These loans have varying maturities through 2008.

### Note 6 - Long-term Debt (Continued)

#### Changes in Long-term Debt

The following are summaries of long-term debt transactions of the City for the year ended June 30, 2003.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 355,000	\$ -	\$ 40,000	\$ 315,000	\$ 45,000
Building authority bonds	2,330,000	-	110,000	2,220,000	115,000
Installment purchase agreements	548,351	-	102,174	446,177	107,782
Special assessment bonds	2,275,000	-	345,000	1,930,000	320,000
Other liabilities:					
Compensated absences	392,772	96,448	-	489,220	-
Total governmental activities	5,901,123	96,448	597,174	5,400,397	587,782
<b>Business-type Activities</b>					
Revenue bonds	24,456,317	4,340,000	5,530,760	23,265,557	1,230,000
Notes payable	895,999	-	37,438	858,561	34,252
Other liabilities:					
Compensated absences	365,762	-	65,687	300,075	-
Total business-type activities	\$ 25,718,078	\$ 4,340,000	\$ 5,633,885	\$ 24,424,193	\$ 1,264,252

#### Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2003 (excluding capital leases and employee benefits), including both principal and interest, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 480,000	\$ 200,220	\$ 680,220	\$ 1,230,000	\$ 1,193,883	\$ 2,423,883
2005	480,000	188,911	668,911	1,305,000	1,130,933	2,435,933
2006	485,000	167,372	652,372	1,375,000	1,063,468	2,438,468
2007	495,000	144,996	639,996	1,445,000	993,953	2,438,953
2008	515,000	121,701	636,701	1,180,000	919,788	2,099,788
2009-2014	1,080,000	347,422	1,427,422	6,930,000	3,588,993	10,518,993
2014-2019	630,000	167,796	797,796	7,645,000	1,514,368	9,159,368
2019-2024	300,000	16,394	316,394	1,600,000	323,125	1,923,125
2024-2029	-	-	-	310,000	22,310	332,310
Total	\$ 4,465,000	\$ 1,354,812	\$ 5,819,812	\$ 23,020,000	\$ 10,750,821	\$ 33,770,821

### Note 6 - Long-term Debt (Continued)

Total interest incurred for the City for the year amounted to approximately \$1,511,000 which was accounted for in the General and Enterprise Funds. Total interest incurred by component units for the year ended June 30, 2003 amounted to approximately \$64,000.

#### Defeased Debt

During the year ended June 30, 2003, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the general purpose financial statements. At June 30, 2003, \$4,500,000 of bonds outstanding are considered defeased.

### Note 7 - Restricted Assets and Reserved Fund Balances

The balances of the restricted asset accounts are as follows:

	Governmental Activities	Business-type Activities
Cemetery maintenance	\$ 450,000	\$ -
Future retirement contributions	668,613	-
Revenue bond restrictions:		
Improvement and replacement account	-	401,714
Bond reserve	-	3,178,867
Total restricted assets	<u>\$ 1,118,613</u>	<u>\$ 3,580,581</u>

Fund balances have been reserved in the Cemetery and Perpetual Care Fund and the Retirement Fund in the amounts of \$450,000 and \$668,613, respectively.

### Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for employee medical benefit claims and participates in the Michigan Municipal Liability and Property Pool and Michigan Municipal Workers' Compensation Fund for all other claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.



### Note 9 - Pension Plans

#### Defined Benefit Plan

The City contributes to the Michigan Municipal Employees' Retirement System (MMERS) which is an agent multiple employer retirement system that covers all employees of the City. The System provides retirement benefits, as well as death and disability benefits. Service retirement benefits vest after 10 years of service or after age 60 is attained; payment is based on various factors depending on the type of benefit to be paid. Deferred retirement benefits vest after 10 years of service, but are not paid until the date retirement would have occurred had the member remained an employee.

The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at MERS of 1134 Municipal Way, Lansing, Michigan, 48917.

#### Funding Policy

The obligation to contribute to and maintain the System for these employees was established by negotiation with the six competitive bargaining units and requires a contribution from the employees of 0 percent to 10 percent of gross wages.

#### Annual Pension Cost

For the year ended June 30, 2003, the City's required and actual pension cost was \$226,383. The annual required contribution percentage was determined as a part of an actuarial valuation at December 31, 2000, using the entry age normal cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8 percent per year compounded annually, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0 percent to 4.2 percent per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5 percent per year (annually) after retirement for persons with selected benefits.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized by level percent of payroll contributions over a period ranging from 30 to 40 years.

### **Note 9 - Pension Plans (Continued)**

#### **Defined Contribution Plan**

The City also participates in the ICMA retirement plan, a division of MERS, which is a defined contribution pension plan established in 1997 to provide retirement benefits to all employees hired after that date. At June 30, 2003, there were 73 plan members. Plan members are required to contribute 0 to 6.5 percent of covered payroll. The City is required to contribute 6 to 10 percent of annual covered payroll. The City's contribution for the year ended June 30, 2003 was \$128,530. Plan provisions and contribution requirements are established and may be amended by the Coldwater City Council.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price.

### **Note 10 - Loans Receivable - Revolving Development Fund**

During the last several years, the City has loaned local and CDBG funds to several local companies. The balance of these loans receivable at June 30, 2003 is \$960,728. In addition, the City has loaned \$817,510 to the Telecommunications Fund.

The City recognizes collections of principal and interest on the federal portion of these loans as deferred revenue as the loans are repaid. Deferred revenue amounted to \$1,727,058 at June 30, 2003. Repayment of the local portion of these loans is recorded as a reduction of the loan receivable and interest income when received. Upon repayment of the balance of each loan, deferred revenue will either be recognized as revenue when deobligated by the granting agency or funds will be returned to the granting agency.

### **Note 11 - Joint Ventures**

The City is a member of the Michigan South Central Power Agency, which provides electric services to the residents of its member communities. The participating communities provide annual funding for its operations. During the current year, the City paid approximately \$15,585,000 for purchased power and debt retirement. The City is unaware of any circumstances that would cause any additional benefit or burden to the participating governments in the near future. Complete financial statements for the Michigan South Central Power Agency can be obtained from the administrative offices at 720 Herring Road, Litchfield, Michigan 49252.

The City's Board of Public Utilities owns an approximate 40 percent interest in the Michigan South Central Power Agency. The City records the investment using the equity method and calculates 40 percent of the MSCPA's equity at year-end. The Agency also holds assets of the City's, which have been closed into the Agency's equity over the years. The calculation of the investment includes 100 percent of the City's assets held at the MSCPA plus 40 percent of the equity net of the City's assets.

### Note 12 - Cable Installation Project

Subsequent to June 30, 2003, the City entered into three installment purchase agreements to purchase equipment for cable installation projects. The total of all three agreements is approximately \$590,000. Payments on all the agreements will begin in 2003 and continue through August 2018, each bearing an interest rate of 4.3%.

### Note 13 - Construction Code Fees

The City of Coldwater oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires the collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity since January 1, 2000 is as follows:

Shortfall at July 1, 2002	\$ (189,293)
Current year building permit revenue	56,423
Less related expenses - Direct costs	<u>(237,350)</u>
Shortfall at June 30, 2003	<u><u>\$ (370,220)</u></u>

## **Required Supplemental Information**

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# City of Coldwater

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>				
Property taxes	\$ 3,268,200	\$ 3,268,200	\$ 3,125,842	\$ (142,358)
Licenses and permits	158,500	158,500	97,527	(60,973)
Federal sources	436,000	436,000	286,434	(149,566)
State shared revenue	1,200,000	1,200,000	1,091,601	(108,399)
State sources	14,000	14,000	29,905	15,905
Local sources	1,000	1,000	-	(1,000)
Charges for services	931,950	931,950	658,043	(273,907)
Interest income	125,000	125,000	84,211	(40,789)
Rental and royalties	1,476,300	1,476,300	1,666,277	189,977
Miscellaneous	136,700	136,700	58,883	(77,817)
Sale of fixed assets and land	15,000	15,000	1,466	(13,534)
Contributions from private sources	13,200	13,200	9,724	(3,476)
Total revenues	7,775,850	7,775,850	7,109,913	(665,937)
<b>Expenditures</b>				
General government	1,067,186	1,067,186	1,068,649	(1,463)
Public safety	2,758,950	2,758,950	2,838,608	(79,658)
Public works	1,536,171	1,536,171	1,509,069	27,102
Recreation and cultural	1,542,891	1,542,891	1,675,132	(132,241)
Planning	321,542	321,542	252,615	68,927
Other	459,002	459,002	444,498	14,504
Debt service	188,218	188,218	187,117	1,101
Total expenditures	7,873,960	7,873,960	7,975,688	(101,728)
Deficiency of revenues over expenditures	(98,110)	(98,110)	(865,775)	(767,665)
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	-	177,647	177,647
Operating transfers out	(773,845)	(773,845)	(176,350)	597,495
Total other financing sources (uses)	(773,845)	(773,845)	1,297	775,142
<b>Change in Fund Balance</b>	(871,955)	(871,955)	(864,478)	7,477
<b>Fund Balance - Beginning of year</b>	2,482,734	2,482,734	2,482,734	-
<b>Fund Balance - End of year</b>	<u>\$ 1,610,779</u>	<u>\$ 1,610,779</u>	<u>\$ 1,618,256</u>	<u>\$ 7,477</u>

# City of Coldwater

## Required Supplemental Information Budgetary Comparison Schedule Revolving Development Fund Year Ended June 30, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Interest income	\$ 99,098	\$ 99,098	\$ 129,736	\$ 30,638
<b>Expenditures</b>				
Economic development	<u>63,000</u>	<u>63,000</u>	<u>77,008</u>	<u>(14,008)</u>
Excess of revenue over expenditures	36,098	36,098	52,728	16,630
<b>Fund Balance - Beginning of year</b>	<u>665,207</u>	<u>665,207</u>	<u>665,207</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 701,305</u></u>	<u><u>\$ 701,305</u></u>	<u><u>\$ 717,935</u></u>	<u><u>\$ 16,630</u></u>

## Required Supplemental Information Retirement System Analysis of Funding Progress June 30, 2003

### Michigan Municipal Employees' Retirement System

Fiscal Year Ended June 30

As of December	Annual Pension	Percent of	Net Pension	Actuarial Value	Actuarial	Unfunded			(Overfunded)
31	Cost*	APC	Obligation	of Assets	Accrued Liability	(Overfunded)	Funded Ratio	Covered	AAL as % of
		Contributed				AAL		Payroll	Covered
									Payroll
1997	\$ 126,105	100%	\$ -	15,521,748	16,645,370	1,123,622	93%	\$ 3,917,583	28.68%
1998	183,268	100%	-	16,770,958	17,596,157	825,199	95%	4,154,940	19.86%
1999	300,265	100%	-	18,063,599	17,326,686	(736,913)	104%	3,578,132	-20.59%
2000	251,744	100%	-	19,161,167	19,386,397	225,230	99%	3,608,121	6.24%
2001	300,264	100%	-	19,710,361	20,106,759	396,398	98%	3,694,472	10.73%
2002	226,383	100%	-	19,237,443	20,706,136	1,468,693	93%	3,096,838	47.43%

\* - Net of accelerated funding credits. Percentage of actual wages paid. Equal to actuarially determined required contribution.

## Other Supplemental Information

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## Other Supplemental Information Nonmajor Governmental Funds Combining Balance Sheet June 30, 2003

	Nonmajor Special Revenue Funds				Capital Projects Fund	Nonmajor Permanent Fund	
	Major Roads	Local Roads	Parking Authority	Retirement Fund	Library Memorial Fund	Cemetery Special and Perpetual Care Nonexpendable Trust Fund	Total Nonmajor Governmental Funds
<b>Assets</b>							
Cash and investments	\$ 193,305	\$ -	\$ 11,466	\$ -	\$ 286,127	\$ -	\$ 490,898
Receivables:							
Special assessments	63,007						63,007
Due from other governmental units	109,336	33,691	-	-	-	-	143,027
Other	6,239	-	-	-	-	-	6,239
Restricted assets	-	-	-	673,333	-	450,000	1,123,333
Total assets	<u>\$ 371,887</u>	<u>\$ 33,691</u>	<u>\$ 11,466</u>	<u>\$ 673,333</u>	<u>\$ 286,127</u>	<u>\$ 450,000</u>	<u>\$ 1,826,504</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 1,469	\$ 1,963	\$ 1,058	\$ 4,720	\$ 1,152	\$ -	\$ 10,362
Deferred revenue	63,007	-	-	-	-	-	63,007
Total liabilities	64,476	1,963	1,058	4,720	1,152	-	73,369
<b>Fund Balances</b>							
Reserved	-	-	-	668,613	-	450,000	1,118,613
Unreserved	307,411	31,728	10,408	-	284,975	-	634,522
Total fund balances	307,411	31,728	10,408	668,613	284,975	450,000	1,753,135
Total liabilities and fund balances	<u>\$ 371,887</u>	<u>\$ 33,691</u>	<u>\$ 11,466</u>	<u>\$ 673,333</u>	<u>\$ 286,127</u>	<u>\$ 450,000</u>	<u>\$ 1,826,504</u>

# City of Coldwater

## Other Supplemental Information Nonmajor Governmental Funds Combining Statement of Revenue, Expenditures and Changes in Fund Balances Year Ended June 30, 2003

	Nonmajor Special Revenue Funds				Nonmajor Capital Projects Fund	Nonmajor Permanent Fund	
	Major Roads	Local Roads	Parking Authority	Retirement Fund	Library Memorial Fund	Cemetery Special and Perpetual Care Nonexpendable Trust Fund	Total Nonmajor Governmental Funds
<b>Revenue</b>							
Special assessments	\$ 8,589	\$ -	\$ 30,000	\$ -	\$ -	\$ -	\$ 38,589
State sources	737,856	227,354	-	-	-	-	965,210
Grants	48,391	-	-	-	-	-	48,391
Charges for services	-	-	5,377	-	1,457	-	6,834
Interest income	10,294	638	-	20,291	7,345	-	38,568
Contributions from private sources	875	-	-	-	1,938	-	2,813
Total revenue	806,005	227,992	35,377	20,291	10,740	-	1,100,405
<b>Expenditures</b>							
Current:							
Public works	414,730	475,759	45,074	-	-	-	935,563
Retirement contributions	-	-	-	196,150	-	-	196,150
Other	-	-	-	-	23,881	-	23,881
Total expenditures	414,730	475,759	45,074	196,150	23,881	-	1,155,594
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	391,275	(247,767)	(9,697)	(175,859)	(13,141)	-	(55,189)
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	276,350	-	-	-	-	276,350
Transfers out	(100,000)	-	-	-	-	-	(100,000)
Total other financing sources (uses)	(100,000)	276,350	-	-	-	-	176,350
<b>Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Uses</b>	291,275	28,583	(9,697)	(175,859)	(13,141)	-	121,161
<b>Fund Balances - Beginning of year</b>	16,136	3,145	20,105	844,472	298,116	450,000	1,631,974
<b>Fund Balances - End of year</b>	<b>\$ 307,411</b>	<b>\$ 31,728</b>	<b>\$ 10,408</b>	<b>\$ 668,613</b>	<b>\$ 284,975</b>	<b>\$ 450,000</b>	<b>\$ 1,753,135</b>

# City of Coldwater

## Other Supplemental Information Combining Balance Sheet Fiduciary Funds June 30, 2003

		Agency Funds		
		Health Insurance Agency Fund	Tax Collection-Escrow Fund	Totals
<b>Assets</b>				
Cash and investments		\$ 82,247	\$ 6,808	\$ 89,055
Receivables		-	291	291
Total assets		<u><u>\$ 82,247</u></u>	<u><u>\$ 7,099</u></u>	<u><u>\$ 89,346</u></u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Due to other governmental units		\$ -	\$ 6,371	\$ 6,371
Due to other		82,247	728	82,975
Total liabilities		<u><u>\$ 82,247</u></u>	<u><u>\$ 7,099</u></u>	<u><u>\$ 89,346</u></u>